



# Maryland

DEPARTMENT OF COMMERCE

# REACH YOUR RAISE:

Attract Investors with Maryland's  
Biotech Tax Credit

# Biotechnology Investment Incentive Tax Credit (BIITC)

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Capital Formation for Early-Stage  
Maryland Biotech Companies

*Refer to official website for complete program details*

<https://commerce.maryland.gov/fund/programs-for-businesses/bio-tax-credit>

# Agenda

## BIITC User Perspectives



Qualified Maryland Biotechnology Company

Daniel Lunz, Co-Founder and CEO, Previsio



Qualified Investor

Deborah Hemingway, Ph.D., Managing Partner, Ecphora Capital

## BIITC Guidelines and Instructions

Maryland Department of Commerce

Abigail McKnight, Program Manager, Tax Incentives

## Q&A



**Maryland**  
DEPARTMENT OF COMMERCE

888-246-6736 | [COMMERCE.MARYLAND.GOV](http://COMMERCE.MARYLAND.GOV)

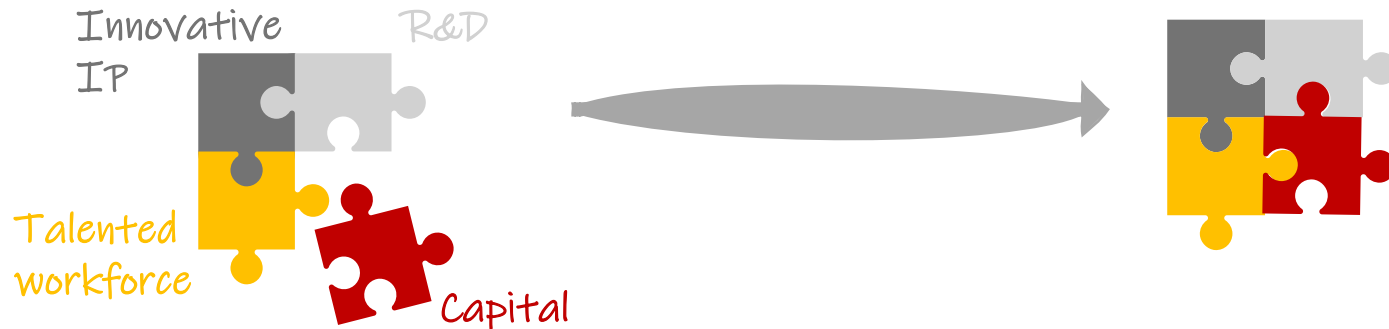
# BIITC Overview

## Challenge

MD biotech companies need capital to support growth from R&D → commercialization

## Solution

**BIITC** encourages capital investment into MD biotech companies



## What?

Finance program designed to attract private investment in early-stage biotech companies in Maryland

## How?

Provides refundable income tax credits

## Who?

Tax credits provided to qualified investors of Qualified Maryland Biotechnology Companies (QMBCs)

## When?

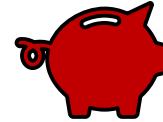
Annual cycle opens for applications beginning August and operates on first-come, first-served basis. Investor receives credit as part of annual income tax filing.

# Eligibility



## Qualified Maryland Biotechnology Company

- ✓ Organized for profit, primarily engaged in R&D of innovative and proprietary technology that comprises, interacts with, or analyzes biological material
- ✓ HQ and base of operations in Maryland
- ✓  $\geq 1$  R&D employee &  $< 50$  employees
- ✓ In active business  $\leq 12$  years
- ✓ Certified as a biotechnology company by Commerce



## Investor

- ✓ Individual/entity that invests  $\geq \$25k$  in a QMBC
- ✓ Resides anywhere except tax-haven jurisdictions
- ✓ Entity investors need certified articles of organization, organizing document, management and ownership composition, certificate of status

## Type of Investment

- ✓ Cash or cash equivalents contributed to QMBC in exchange for stock, partnership, membership or other ownership interest
- ✓ Includes convertible debt



## Exclusions\*

- x Pension plan, IRA or other qualified retirement plan under ERISA, fiduciaries or custodians under such plans, or similar plans for entities in other countries
- x Investment made by QMBC into itself

\*continued next slide

# \*Exclusions and Potential Pitfalls

- X Investment cannot be made by or funding directly or indirectly by the QMBC (i.e., the QMBC cannot give the money to an individual to then invest).
- X No part of the investment funding can be returned to the investor after the investment.
- X No part of the tax credit can be returned to the QMBC.
- X Investor cannot directly or indirectly own more than 25% of the company after the BIITC investment.
- X Founders and current employees, as well as certain relatives thereof, cannot participate if the company has been in active business for more than 5 years.
- X Entities owned directly or indirectly by ineligible individuals or entities are also ineligible.
- X Investment cannot be made before Commerce issues Initial Certificate of Approval to authorize investment.





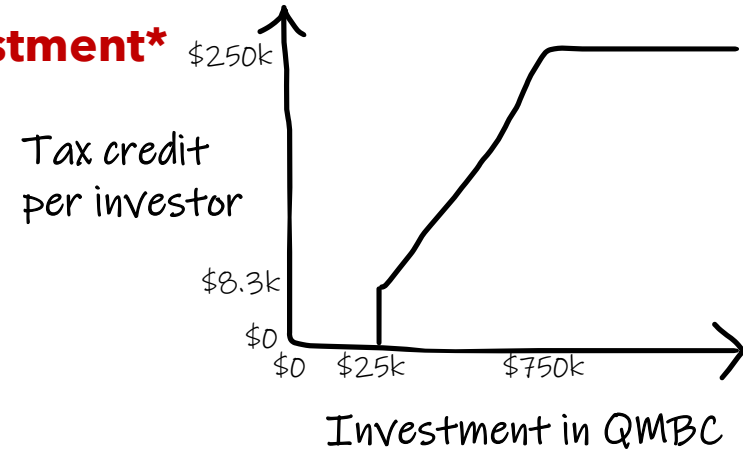
# Investor benefits

In general,

**Tax credit = 33% of a qualified investment\***

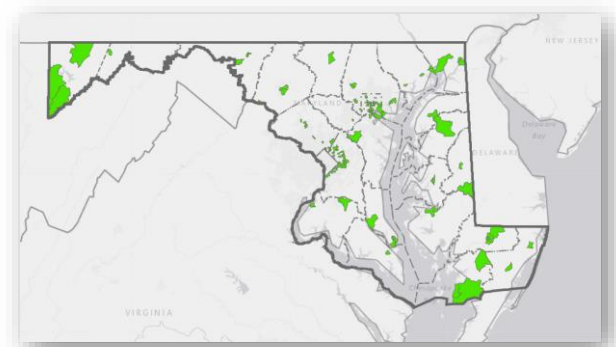
**\* Limits:**

- Minimum investment: \$25k
- Maximum credit per:
  - Investor = \$250k/year
  - Company = \$1.2M/year, \$7M total



**\* Enhanced incentives:**

- QMBC in Allegany, Dorchester, Garrett, Somerset County or in [RISE Zones](#) with technology developed at a qualified institution in same RISE Zone and in business <7 years (50% of an eligible investment, up to \$500k in credits)
- Opportunity Zone fund [investors](#) who invest in QMBC in [Opportunity Zone](#) (Level 1: 65% of investment up to \$575k; Level 2: 75% of investment up to \$750k) [Learn More](#).



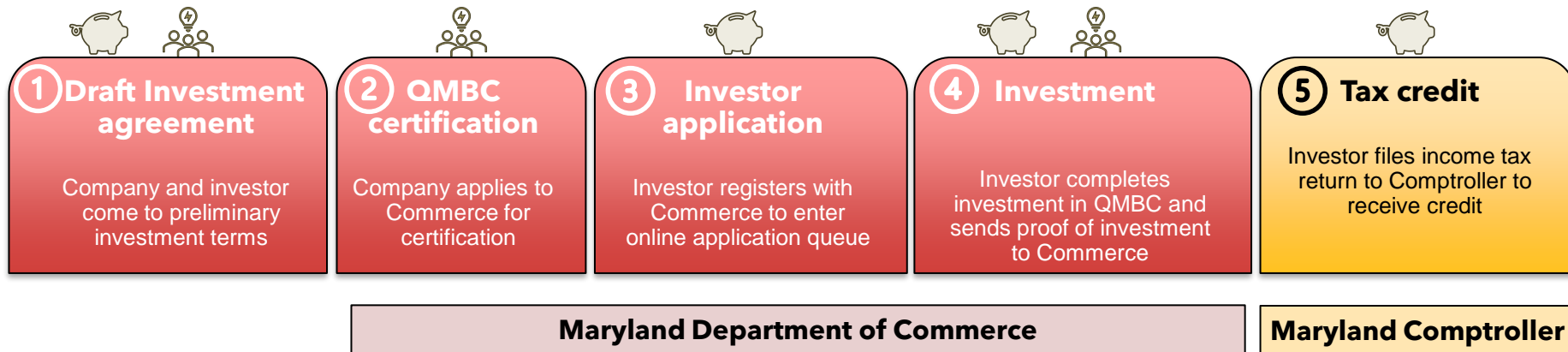
Maryland Opportunity Zones

# Application Overview



I like what your company is doing. I want to invest in you.

BIITC can help stretch your investment further, let's apply first!





# Step 1: Investment agreement



Speak with your potential investors, explain benefits of using BIITC program – a 33% ROI within 1 year!



Investment terms must be agreed to within 30 days after the initial certificate is issued.

Prepare draft investment agreement, convertible note, or similar contract for investment terms pending QMBC approval



# Step 2: QMBC Certification



Prepare documents, including these and others:

- ☐ Business plan
- ☐ Employment records
- ☐ IP list and documentation
- ☐ Capitalization table
- ☐ Financial statements
- ☐ Proposed investment information: date, amount, agreement or contract, intended use
- ☐ Current grants and awards
- ☐ Description of company location



**Submit documents to Commerce online with Form B QMBC Application**  
([preview](#))



Tip: expedite process by carefully following instructions and prepare complete application package.

## Review process

- Commerce will review as quickly as possible and may request clarification or additional documentation.
- Review may result in request for additional information, issue a determination letter that company meets requirements of a QMBC, or a reason for rejection.
- QMBC certification can come at any time in the process, up to 2 months after investment is completed

# Step 3: Investor Application



Register in the online system by submitting Form A to receive a 5 character user ID and 6 digit reference number.



Use registration information to enter Online Electronic Queue Investor Registration for first-come, first-served allocation of funds.

# Step 4: Execute Investment



- **Commerce** issues Initial Tax Credit Certificate
- Within 30 days, **investor** completes investment
  - Investor provides proof of investment within 10 days of making investment in Commerce web portal
- Commerce provides Final Certificate of Approval awarding the tax credit to the qualified investor

# Step 5: Receive credit



Investor files Maryland Tax Return with Maryland Comptroller, including:

- BIITC Final Certificate
- Maryland Tax Credit Form 500CR or 502C
  - [https://www.marylandtaxes.gov/forms/22\\_forms/500CR.pdf](https://www.marylandtaxes.gov/forms/22_forms/500CR.pdf)
  - [https://www.marylandtaxes.gov/forms/22\\_forms/502CR.pdf](https://www.marylandtaxes.gov/forms/22_forms/502CR.pdf)
- Appropriate tax filing form

Tip: Investor tax forms vary based on filer's status.

Consult a tax professional for assistance.

**Commerce does not have  
access to tax filing  
information**

# Summary



## Company

Applies for QMBC status



## Investor

Applies, enters BIITC queue, makes investment when authorized by Commerce, receives credit upon filing income tax return



Reviews applications and performs due diligence, issues approval certificates



Processes investor income tax returns and issues refunds



# Success



## Do's and Don'ts

And some cautionary notes



# Company location



The biotech company must maintain its *headquarters and base of operations* in Maryland



A leased or owned business facility (not personal residence) located in the State where the company's financial, personnel, planning, management, administrative, biotechnology research, biotechnology development, and biotechnology production activities are primarily handled.



# Timing of Investment



Don't accept investment too soon

When to accept investment depends on investment vehicle:



For a **straight cash-for-stock transaction**, the entire investment must occur within the 30 day period after authorized by Commerce. This means that the investment documentation is executed and cash is exchanged for stock within that 30 day period. No part of process can occur prior to the 30 day period.



**Convertible debt/notes and SAFEs** are usable if the following conditions are met:

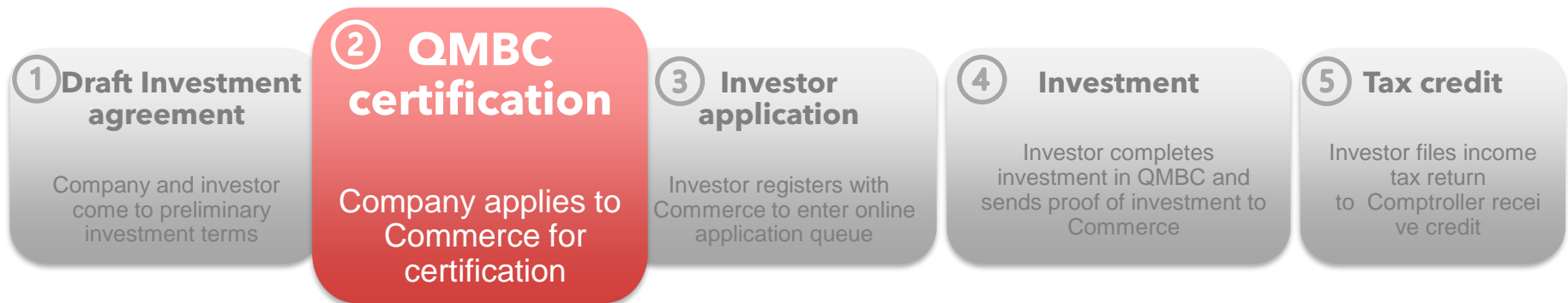
- ✓ The instrument is no older than 1 year at the time the investor applies to participate in the program;
- ✓ The instrument was issued to the investor contemporaneously in exchange for the investment funds; and
- ✓ The instrument is converted into stock and stock issued to the investor within the 30 day period after authorized by Commerce.



# Timing of QMBC Qualification



- While the company must apply for qualification as QMBC before the investor applies, QMBC qualification might or might not be issued prior to investment.
- In order for the investor to receive the final tax credit, the company must qualify as a QMBC within 2 months after the investment is made through the BIITC program.



← **Certificate of QMBC status** →

# How to Claim Credit



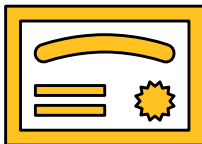
After investment, investor receives credit by filing Maryland tax return with Comptroller



Investor's tax return package must include:

## Final Certificate of Approval

awarding tax credit  
from Commerce



## Selected Business Income Tax Credit Form

**Form 500 CR** - Business Income Tax Credits

**Form 505** - Nonresident Income Tax Return to claim a refundable tax credit

**Form 510** - Pass-Through Entity Income Tax Return

**Form 510C** - Composite Pass-Through Entity Income Tax Return

**Form 510/511** - Pass-Through Entity Income Tax Return / Electing Pass Through Entity Income Tax Return attached

**Administrative Release 6** - Taxation of Pass-Through Entities" (Revised July 2021)

# Contacts and References

## BIITC program and application



Program details

### BIITC webpage

<https://commerce.maryland.gov/fund/programs-for-businesses/bio-tax-credit>

General BIITC questions

### Office of Life Sciences

Ulyana Desiderio, Director, [ulyana.desiderio@maryland.gov](mailto:ulyana.desiderio@maryland.gov),  
[life.sciences@maryland.gov](mailto:life.sciences@maryland.gov)

Technical BIITC questions

### Office of Finance Programs

Abigail McKnight, Program Manager, Tax Incentives,  
[abigail.mcknight@maryland.gov](mailto:abigail.mcknight@maryland.gov)  
Jason Sobel, Tax Specialist, [jason.sobel1@maryland.gov](mailto:jason.sobel1@maryland.gov)

## Tax return and credit



Check status of current year filing or refund

<https://interactive.marylandtaxes.gov/INDIV/refundstatus/home.aspx>

Disallowed or adjusted BIITC questions

[taxhelp@marylandtaxes.gov](mailto:taxhelp@marylandtaxes.gov), 1-800-MD-TAXES  
Amy Poad, Comptroller of Maryland, Corporate Unit Manager,  
[Apoad@Marylandtaxes.gov](mailto:Apoad@Marylandtaxes.gov)





# Questions?

## Qualified Maryland Biotechnology Company

Daniel Lunz, Co-Founder and CEO, Previser

## Qualified Investor

Deborah Hemingway, Ph.D., Managing Partner, Ecphora Capital



## Office of Finance Programs

Abigail McKnight, Program Manager

Jason Sobel, Tax Specialist

## Office of Life Sciences

Ulyana Desiderio, Ph.D., Director